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A METHOD OF PROCESSING PAYMENT ON A
NETWORK OF COMPUTERS SUCH AS THE INTERNET

Background of the Invention:

This is a continuation of United States Patent application serial number 09/400,724, filed on September 21, 1999, and entitled "Financial System of Computers", which was a continuation of United States Patent application serial number 09/166,749 filed on October 5, 1998, and entitled "Financial System of Computers", which was a continuation of United States Patent application serial number 08/597,017, entitled "An Improved Financial Transactions System" filed February 5, 1996, now United States Patent number 5,822,737, issued on October 13, 1998.

This invention relates generally to financial transactions and more particularly to transactions involving credit or debit cards.

The time is fast approaching where a significant amount of commerce will be conducted using distributed networks of computers such as the Internet. The reason this ground-swell of commerce will occur is the ability of a single merchant to economically reach a vast number of potential customers at substantially no costs. Further, the customers are able to review a great number of vendors and their products with the ease of a few key strokes and clicks of the mouse.

Although there are vast numbers of merchants already using such

1 networks, the sales volume has been particularly low due to a variety of
2 reasons. One reason which has depressed commerce on the networks, is the
3 difficulty with which customers can pay for their purchases.

4 A variety of techniques have been developed to cure this problem ranging
5 from accepting phone orders to the establishment of another currency called
6 "E-Cash".

7 Phone orders in response to merchant promotional materials creates a
8 variety of problems. One major problem is the requirements for phone lines
9 and personnel to receive and process the phone orders. Another hurdle is the
10 simple fact that most customers have a single phone line to their residence
11 and this line is used by the computer for accessing the network; the customer
12 has to disconnect from the network to make the phone order.

13 Although E-Cash is a viable alternative, it is faced with some enormous
14 problems which will be difficult or impossible to address. These include:
15 counterfeiting problems; government reluctance to accept the concept;
16 difficulties in getting access for handling E-Cash; and, the low number of
17 users and merchants which can use E-Cash.

18 It is clear from the foregoing that there is a need for an efficient
19 methodology and system to accept payment over distributed computer networks.

1 Summary of the Invention:

2 The present invention contemplates a totally automated system for
3 securing payment via a distributed network of computers. In this context, the
4 invention creates an automated payment system particularly suited for
5 purchases over a network such as the Internet.

6 Although the present invention is described relative to the Internet,
7 its application is not so limited and is intended to be used on any
8 distributed computer system in which merchants and consumers interact for the
9 purpose of supplying and purchasing goods or services.

10 In such a distributed computer network, a merchant or vending computer
11 contains certain promotional information which is communicated to a customer's
12 computer. This information is intended to give the customer sufficient
13 information to make a decision on if the goods/services are acceptable.

14 As used within this discussion, the term "merchant computer" signifies a
15 computer system which is used for the purpose of selling goods or services.
16 The vendor itself does not necessarily own the computer; in some situations,
17 the computer is operated on behalf of the merchant or vendor.

18 Based upon the promotional information, the consumer/operator of the
19 customer's computer decides to purchase the services or goods described by the
20 promotional information.

21 It is at this point where the present invention is particularly powerful
22 as it provides a simple, easy, methodology and linkage for the customer to pay
23 for the goods/services.

24 In this context, the customer's computer is linked to a payment
25 processing computer and the customer's credit card number and the amount of

1 the goods or services is transmitted to the payment processing computer. For
2 security reasons, an encrypting software package is first downloaded to the
3 customer's computer so that the credit card number is secure from "hackers"
4 who might also be on the network.

5 Although the term "credit card" is used, the invention covers the use of
6 any type of financial guarantee card such as automatic debit accounts,
7 checking account numbers, savings account numbers, and other such devices
8 obvious to those of ordinary skill in the art.

9 The payment processing computer automatically contacts a bank for
10 verification of the credit card and amount; the bank transmits an
11 authorization to the payment processing computer. This authorization,
12 usually in the form of a number, is stored within the payment processing
13 computer's memory for later reference.

14 The link or connection with the bank is terminated by the payment
15 processing computer and the payment processing computer turns its attention to
16 the customer's computer. The payment processing computer communicates a self-
17 generated transaction indicia, and in some embodiments a password, to the
18 customer's computer.

19 The transaction indicia is generated by the payment processing computer
20 for proper record keeping. The transaction indicia is also used by the
21 customer to verify that an order has been generated and accepted.

22 The password is defined by the merchant's computer for the payment
23 processing computer to pass along to the customer's computer. The password is
24 used by the customer's computer to gain access to restricted material within
25 the merchant's computer.

1 As example, assume the merchant's computer is supplying information as
2 to genealogy. As an initial process, the customer enters the name being
3 researched and receives a preliminary report on the genealogy (the promotional
4 material). To proceed though, and get the actual data, the customer must pay
5 to access this further information.

6 To do so, the customer links with the payment processing computer, and
7 in the manner outlined above, receives back the transaction indicia and the
8 password. The payment processing computer links the customer computer back to
9 the merchant computer; the customer provides the password to the merchant's
10 computer and is given access to the full genealogy report.

11 As outlined in this example, in the embodiment where a password is used,
12 the customer's computer uses the password with the merchant's computer in
13 obtaining access to protected information or to establish shipping
14 instructions.

15 The re-linking of the customer computer to the merchant computer is
16 accomplished in a variety of ways. In the preferred embodiment, the payment
17 processing computer obtains the merchant's address or Unique Recognition
18 Location (URL) from the customer computer when the customer connects with the
19 payment processing computer. This URL is used in a variety of ways, to
20 identify the merchant, to establish the amount of the product/service, and to
21 establish the return URL when the payment processing computer is done with its
22 task for the customer computer.

23 By selective use of the URL on the merchant's part, the URL transmits a
24 tremendous amount of information to the payment processing computer. As
25 example, assume the URL for the home-page of the merchant is:

1 http://merchant.com/widget.

2 When the merchant is selling a single product (a widget), this URL is
3 easy to match to the product. When the merchant wants to sell a variety of
4 widgets, then for a blue widget, the URL might be:

5 http://merchant.com/widget/blue.

6 In some embodiments, the customer's computer is not linked back to the
7 originating URL of the Merchant computer but rather to another URL. The
8 return URL is stored in the payment processing computer and is used when the
9 Merchant wants the customer/consumer to be passed back to a different location
10 (i.e. where the restricted access information is accessible, or to inform the
11 consumer that their card has been rejected).

12 The invention, together with various embodiments thereof, will be more
13 fully explained by the accompanying drawings and the following descriptions.
14

1 Drawings in Brief:

2 Figures 1A and 1B are block diagrams of the two computer configurations
3 used in the preferred embodiment.

4 Figure 1C is a graphical representation of the preferred memory
5 organization for the computer illustrated in figure 1A.

6 Figures 2A, 2B, 2C, 2D, and 2E graphically illustrate the connections
7 and disconnections of the preferred order.

8 Figures 3A, 3B, 3C, and 3D are frontal views of one embodiment of a
9 consumer's display screen.

10 Figure 4A is a flow-chart of the preferred embodiment's payment
11 processing operation.

12 Figure 4B is a flow-chart of an alternative embodiment's payment
13 processing operation.

14 Figure 5 is a flow-chart of the operation of the merchant's computer.
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1 Drawings in Detail:

2 Figures 1A and 1B are block diagrams of the two computer configurations
3 used in the preferred embodiment.

4 Figure 1A illustrates the configuration of the preferred payment
5 processing computer. As shown, computer 10A is a simple layout of a Central-
6 Processing-Unit (CPU) 11A which uses both non-volatile memory 12A and Random-
7 Access-Memory (RAM) 13A.

8 Communication to and from CPU 11A is via modem 14A which communicates
9 with other computers via the network connected by phone line 15A.

10 Computer 10B, illustrated in figure 1B, shows the preferred computer
11 configuration used for the merchant computer and the customer computer.
12 Again, CPU 11B is connected to memories RAM 13B and non-volatile memory 12B.
13 In the case of the merchant computer, the promotional material is stored on
14 non-volatile memory 12B and is retrieved and communicated by CPU 11B using
15 modem 14B and phone line 15B.

16 This system is able to communicate with an operator via monitor 16 for
17 visual information. Monitor 16 is used for the perusal of the promotional
18 material by the customer.

19 Keyboard 17 is used to communicate operator commands to CPU 11B. In
20 like fashion, mouse input device 18 is also used for operator input to CPU
21 11B.

22 Optional printer 19 is used to create a hard copy of the material being
23 displayed to the operator/customer via monitor 16.

24 The differences between the computers shown in figure 1A and 1B are
25 pronounce since the payment processing computer of figure 1A does not require

1 input or direction from a human operator. Rather, in the preferred
2 embodiment, the payment processing computer runs totally automatically and
3 collects all of the data and information it requires for its operation
4 automatically from the computers with which it is linked and with what is
5 stored in its memory.

6 Figure 1C is a graphical representation of the preferred memory
7 organization for the computer illustrated in figure 1A.

8 Memory 9, located preferably in non-volatile memory 12A, has three
9 sections. The first section 8A is the product listing reference which is
10 composed of multiple groupings. This data remains relative constant and is
11 defined by the merchant. Each grouping, such as 7A, includes data
12 identifying:

13 Part Number
14 Merchant Identification
15 Cost of Product/Service
16 Description of the Product/Service
17 Authorized Return URL
18 Rejected Return URL
19 Password

20 The second section is for defining the merchant's information. Each
21 grouping 7B within section 8B contains relative constant information such as:

22 Merchant Identification
23 Business Name
24 Contact Name within the Business
25 Business Address

1 E-Mail address for the Business

2 Bank Checking Number for the Business

3 The third section 8C is an accounting listing which is constantly up-
4 graded as new payments are processed. This section is used for making full
5 accounting to the various merchants. Grouping 7C within section 8C contain:

6 Transaction Number

7 Date of transaction

8 Amount of the transaction

9 Part number involved in transaction

10 Credit Card Number

11 Authorization Number

12 The authorization number is the indicia received from the bank
13 indicating that the credit card charge has been accepted.

14 The use of memory 9 allows the payment processing computer to have
15 access to the necessary information to handle the linkage and perform the
16 proper accounting.

17 Figures 2A, 2B, 2C, 2D, and 2E graphically illustrate the connections
18 and disconnections of the preferred order.

19 Referring to figure 2A, in a typical fashion, a consumer via customer
20 computer 21 enters the network 20 and searches through various merchant
21 computers until the consumer locates the merchant of choice and connects with
22 merchant computer 22. Merchant computer 22 communicates the promotional
23 material via network 20 to customer computer 21.

24 When the consumer decides to buy the service or product from merchant
25 22, as shown in figure 2B, the link with merchant computer 22 is broken and

1 customer computer 21 links with the payment processing computer 23. In the
2 change from merchant computer 22 to payment processing computer 23, an indicia
3 of the URL or the product being promoted by merchant computer 22 is
4 communicated to the payment processing computer 23.

5 The indicia as a URL of the last site is available through normal
6 network operations and its handling is obvious to those of ordinary skill in
7 the art. The product number is easily combined with the URL; thereby making
8 the product number also available to the payment processing computer 23.

9 In some embodiments, the originating URL is crossed checked to a memory
10 data base to achieve the product number. In this embodiment, the merchant
11 structures its material so that only a single product/service is associated
12 with a specific URL.

13 Using the product number (or developing the product number from the
14 merchant's URL), the payment processing computer is able to cross reference
15 its own memory (as described earlier) to achieve other important information
16 including: the amount of the product/service, a description of the
17 product/service, the name and address of the merchant, and other which will be
18 used in later operations.

19 The payment processing computer 23 accepts from the customer computer
20 21, the credit card account number which is to be debited the amount of the
21 product.

22 As shown in figure 2C, in this embodiment, while maintaining linkage
23 with the customer computer 21, the payment processing computer 23 establishes
24 a link via phone lines 25 with the credit card server computer 24. The credit
25 card account number and amount is communicated to the credit card server

1 computer 24 which responds to the payment processing computer 23 with an
2 authorization indicia. This authorization indicia gives the acceptance or
3 denial of the charge.

4 If a product is to be shipped, and if the charge has been authorized, as
5 shown in figure 2D, the payment processing computer 23 connects with the
6 merchant computer 22 and directs the merchant to ship the product to the
7 consumer.

8 As shown in figure 2E, since the payment processing computer 23 has
9 identified the product number, it is able to retrieve from its memory the URL
10 for reconnecting the customer computer 21 with the merchant computer 22. In
11 this manner, the entire operation is totally transparent to the consumer since
12 they feel they have been continuously working with the merchant computer 22.

13 Further, using the URL's from its memory, the payment processing
14 computer 23 is able to link the customer computer 21 to the merchant computer
15 22 at an address which is different from where the consumer was originally
16 connected. In this manner, the payment processing computer 23 is able to
17 direct the consumer to different locations which are consistent with the
18 authorization indicia (accept/reject) on their credit card.

19 As example, assume, the credit card was authorized, then the consumer
20 could be reconnected to an area which has restricted access so that the
21 consumer can gain the information paid for; if on the other hand, the credit
22 card was rejected, the connection would be to a page indicating such and
23 possibly asking for another card number.

24 In this manner, the payment processing computer 23 is able to control
25 the operation and interface between the customer computer 21 and the merchant

1 computer 22.

2 Periodically, the payment processing computer 23 connects via the phone
3 lines 25 with the credit card server 24 and instructs it to transfer the
4 appropriate amount of funds to the merchant's bank computer 26 so that the
5 merchant has access to the funds paid for his product/service provided to the
6 consumer.

7 Figures 3A, 3B, 3C, and 3D are frontal views of one embodiment of a
8 consumer's display screen.

9 Screen 30A is designed to provide the promotional information so that
10 the consumer is attracted to purchase the product. In screen 30A is the name
11 of the merchant company (XYZ CO.) 31, the name of the product (widget) 32, the
12 price (\$14.95) 33, and the part number (#10234) 34.

13 Also located on screen 30A is a software key 35 which allows the
14 consumer to pay for the product. In this embodiment, by activating this
15 software key 35 (typically through a click of the mouse), screen 30A is
16 changed to screen 30B which is identical except that the software key 35 has
17 been replaced with an order window 36.

18 Order window 36 allows the consumer to complete the necessary
19 information to order the product. This includes the part number 37A, the
20 amount 37B, and the credit card number 37C. When the consumer is ready, the
21 software key "Send" 37D or the software key "Cancel" 37E is activated. In the
22 case of a cancel, the screen returns to screen 30A.

23 In a "send" 37D, mode, the payment processing computer contacts the
24 bank computer and determines if the credit card is valid and if the amount is
25 available. If the charge is authorized, the screen changes to 30C in which

1 the order window 36 has been replaced with authorization window 38 which shows
2 that the charge has been accepted 39A, the transaction no. (A1483) 39B, and
3 the password ("GO") 39C which the consumer is to use with the merchant.

4 When this information has either been printed or committed to memory,
5 the consumer activates software key 39D to "Proceed" to screen 30D. At this
6 point, the consumer is able to enter the password 29 so that the restricted
7 access is lifted. In the genealogy example, it is at this point the consumer
8 gains access to the full report.

9 Figure 4A is a flow-chart of the preferred embodiment's payment
10 processing operation.

11 After start 40A, a connection is made with the customer computer 41A and
12 the encryption software is downloaded to the customer computer 41B.
13 Encryption software is preferably used for transmittal of the credit card
14 number so that the integrity of the card is not jeopardized.

15 The consumer computer then communicates, and the payment processing
16 computer accepts, the account number, the amount, and the identification of
17 the product or service, 42A. A connection is made with the credit card server
18 41C and the account number and amount is transmitted 41D to the credit card
19 server over the established phone lines. In response to this query, the
20 authorization data is received 42B and the connection with the credit card
21 server 41E is broken.

22 A transaction indicia is generated 41F. This transaction indicia is not
23 the authorization data but serves as an internal monitoring system for the
24 payment processing computer so that the accounting is kept accurate.

25 From the memory, the password is withdrawn 41G for the product so

1 ordered; and, the password and transaction indicia is transmitted to the
2 customer computer 41H.

3 At this point, the connection with the customer computer is terminated
4 41I and the program stops 40B.

5 Figure 4B is a flow-chart of an alternative embodiment's payment
6 processing operation.

7 After start 43A, the program connects with the customer computer 44A and
8 at the same time obtains the merchant URL 45A. Using the merchant URL, the
9 payment processing computer searches its memory and identifies the merchant
10 number, the part number, and the purchase amount 44B.

11 The encryption software is downloaded into the customer computer 44C and
12 the credit card account number is received 45. A connection is then made with
13 the credit card server computer 44D and the account number and the amount is
14 transmitted 44E. This inquiry results in an authorization code 45C being
15 received and the connection with the credit card server being broken 44F.

16 A check is then made to see if the credit card purchase was authorized
17 46A.

18 If the credit card purchase was denied, the URL to use for a rejection
19 is withdrawn from memory 44G and the Customer computer is connected to the
20 merchant computer at this URL 44H leaving the payment processing computer able
21 to disconnect 44I and stop 43B.

22 Should the credit card purchase be accepted, 46A, then the program
23 generates a transaction identification 44J. This transaction identification
24 is stored along with the date, amount of purchase, and the merchant number
25 44K.

1 The password is retrieved from memory 44L and it, together with the
2 transaction identification, is transmitted to the customer computer 44M.

3 From memory, the authorized URL is withdrawn 44N.

4 A determination, based upon stored data, is made as to the character of
5 the product (service or goods) 46B. If the product relates to goods which are
6 to be shipped, a shipping order including the transaction identification, the
7 amount, the date, and address of the customer, is communicated to the merchant
8 44O to satisfy the order. If the product is a "service", the program skips to
9 step 44P.

10 The customer computer is then connected to the authorized URL 44P and
11 the connection with the customer computer is terminated 44Q allowing the
12 program to stop 43C.

13 Figure 5 is a flow-chart of the operation of the merchant's computer.

14 After start 50A, the merchant computer connects with the customer
15 computer 51A and communicates the promotional material 52A. The password is
16 received from the customer 52B and is checked to see if it is the correct
17 password 53A.

18 If the password is incorrect, a determination is made on if it is the
19 customer's first try 53B; if it is, then the customer is given another chance
20 to enter the correct password 52B. If the customer has tried twice to enter
21 the correct password, the connection with the customer is terminated 51C and
22 the program stops 50C.

23 If the password is correct, 53A, then the secure or restricted access
24 data is communicated to the customer's computer 51D and the connection with
25 the customer's computer is terminated 51B. The program then stops 50B.

1 In this manner, secure information is selectively transmitted to a
2 customer's computer upon the presentation of a password.

3 It is clear from the foregoing that the present invention creates a
4 highly improved system for acceptance and processing of payments over a
5 distributed computer network.